REPORT OF EXAMINATION
OF THE

BRIDGE TITLE INSURANCE COMPANY

AS OF
DECEMBER 31, 2006

Participating State
and Zone:

California

Filed December 10, 2007

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Los Angeles, California
November 6, 2007

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Kent Michie
Secretary, Zone IV-Western
Commissioner of Insurance
Department of Insurance, State of Utah
Salt Lake City, Utah

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Secretary and Commissioner:

Pursuant to your instructions, an examination was made of the

BRIDGE TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records located at 510 Bienville Street, New Orleans, Louisiana 70130. Subsequent to the examination, the Company moved the primary location of its books and records to 7777 Washington Avenue, Edina, Minnesota 55439. The Company's statutory home office and main administrative office is located at 1 First American Way, Santa Ana, California 92707.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2006. The examination was made pursuant to the National Association of Insurance Commissioners' (NAIC) plan of examination. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2006, as deemed necessary under the circumstances.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; accounts and records; and sales and advertising.

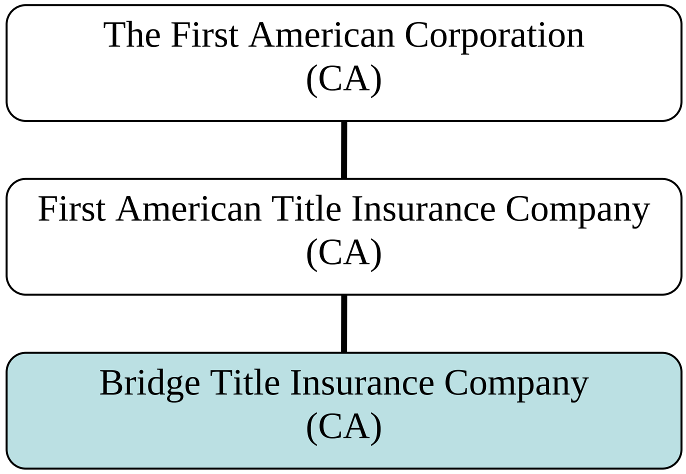
COMPANY HISTORY

The Company was incorporated on November 21, 1962 under the laws of North Carolina as Pilot Title Insurance Company. The Company was purchased by First American Title Insurance Company (FATIC) on December 27, 1994 and changed its name to First American Title Insurance Company of North Carolina. In 2004, the Company sold its wholly-owned subsidiary, Fidelity Title and Guaranty Company to its parent, FATIC. Effective April 20, 2006, the Company redomesticated to California and changed its name to Bridge Title Insurance Company.

The Company reported common capital stock of $1.5 million and $4.8 million of gross paid-in and contributed surplus at year-end 2006. There are 100,000 authorized common stock shares at a par value of $15 per share, all of which were issued and outstanding to FATIC.

MANAGEMENT AND CONTROL

The following abridged organizational chart depicts the Company's relationship within the holding company system:



Management of the Company is vested in a four-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2006 follows:

Directors

Name and Residence	Principal Business Affiliation
Robert E. Bauchle Greensboro, North Carolina	Vice President and State Manager First American Title Insurance Company
Randy G. Baye Metairie, Louisiana	Regional Controller First American Title Insurance Company
Melville R. Bois Edina, Minnesota	Division President First American Title Insurance Company
Kenneth R. Jannen Sunrise, Florida	Vice President First American Title Insurance Company

Principal Officers

Name	Title
Craig I. DeRoy	President
Kathleen M. Collins	Secretary
Randy G. Baye	Treasurer

Name	Title
Janine J. Andriole	Vice President
Robert E. Bauchle	Vice President

Management Agreements

Administrative Services Agreement: On November 22, 2006, the Company entered into an Administrative Services Agreement with its parent, First American Title Insurance Company (FATIC). According to the agreement, FATIC provides all administrative services that support the business activities of the Company. Specifically, the services include, but are not limited to, underwriting, premium processing, accounting, claims and all administrative functions. The Company reimburses FATIC for the actual cost of these services. For the year 2006, the Company paid FATIC $30,000 for the services provided. This agreement was approved by the California Department of Insurance (CDI) on November 22, 2006.

Tax Allocation Agreement: The Company and its affiliates are included in the consolidated federal income tax return of the ultimate parent, The First American Corporation. The tax arrangement was formalized through a written agreement entered into on December 15, 1994 for tax years commencing on January 1, 1993. Under the terms of the agreement, allocation of taxes is based upon separate return calculations, with compensation for net losses or credits. Settlement is made for tax liabilities within 15 days and for tax refunds within 90 days after the due date of the consolidated federal income tax return. This agreement was submitted and reviewed by the CDI as part of the redomestication filing.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact title insurance business in the following states: California, Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee and Virginia. In April 2006, the Company redomesticated from North Carolina to California.

In 2006, the Company had total written premiums of $7,105, all of which were written in Georgia. Currently, the Company does not write any business nor have any agents. The Company is currently in negotiations with a strategic partner who would purchase a minority interest in the Company and increase its business. The Company anticipates that a formal filing to seek approval from the California Department of Insurance of the contemplated transaction will be made by the end of the year.

LOSS EXPERIENCE

The Company reported operating and net losses during the exam period as follows:

Year	Net Operating Gain or (Loss)	Net Income or (Loss)
2002	$ (28,858)	$ 81,746
2003	$ (54,446)	$ (28,793)
2004	$ (212,198)	$ 3,017,255
2005	$ (81,704)	$ (30,705)
2006	$ (116,581)	$ (47,094)
2007 (*)	$ (46,136)	$ (3,559)

(*) through June 30, 2007

The Company has experienced net operating losses in all years during the exam period. Beginning in 2002, competitive pressures caused the Company's larger agents to revert to writing business with the Company's parent, First American Title Insurance Company and thereby reducing the Company's business significantly. This has affected the Company for all subsequent years. The Company is currently working on plans to reverse this trend. Part of the plan was obtaining a license in California in 2005, followed by redomesticating to California in 2006 and changing its name to Bridge Title Insurance Company. As mentioned in the previous section, the Company is in negotiations with a strategic partner who would purchase a minority interest in the Company and increase its business.

The Company had net income of $3.0 million in 2004 as a result of receiving a one-time dividend of $3.1 million from its then subsidiary, Fidelity Title and Guaranty Company (FTGC). The dividend was needed to increase the Company's liquid assets as part of its expansion plans. FTGC was subsequently sold in 2004 to the Company's parent, First American Title Insurance Company.

REINSURANCE

Assumed

The Company does not have any assumed reinsurance.

Ceded

The Company entered into an automatic excess of loss reinsurance agreement with its parent, First American Title Insurance Company (FATIC) on April 21, 2006 with a term of 5 years. Under this agreement, the Company cedes the face amount of each policy in excess of the Company's $500,000 retention. Cessions of policies greater than $1 million requires written approval by FATIC. There was no reinsurance activity during the exam period. This agreement was submitted and reviewed by the California Department of Insurance as part of the redomestication filing.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2006

Underwriting and Investment Exhibit for the Year Ended December 31, 2006

Reconciliation of Surplus as Regards Policyholders from December 31, 2001 through December 31, 2006

Statement of Financial Condition
as of December 31, 2006

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 384,052	$	$ 384,052	
Cash and short-term investments	7,858,767		7,858,767	
Investment income due and accrued	29,328	10,000	19,328	
Premiums and considerations:				
Uncollected premiums and agents' balances	30,233	30,233		
Federal income tax recoverable	46,570		46,570	(1)
Net deferred tax asset	28,394	20,593	7,801	
Total assets	$ 8,377,344	$ 60,826	$ 8,316,518	

Liabilities, Surplus and Other Funds

Known claims reserve		$ 9,704	(2)
Statutory premium reserve		180,770	(3)
Taxes, licenses and fees		3,014	
Payable to parent, subsidiaries and affiliates		12,056	(4)
Total liabilities		205,544	
Common capital stock	$ 1,500,000		
Gross paid-in and contributed surplus	4,823,060		
Unassigned funds (surplus)	1,787,914		
Surplus as regards policyholders		8,110,974	
Total liabilities, surplus and other funds		$ 8,316,518	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2006

Statement of Income

Operating Income		
Title insurance premiums earned		$ 27,008
Total operating income		27,008
Deductions:		
Losses and loss adjustment expenses incurred	$ 87,444	
Operating expenses incurred	56,145	
Total operating deductions		143,589
Net operating loss		(116,581)
Investment Income		
Net investment income earned	$ 57,429	
Net investment gain		57,429
Net loss after capital gains tax and before federal income taxes		(59,152)
Federal income taxes incurred		(12,058)
Net loss		$ (47,094)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005		$ 8,155,213
Net loss	$ (47,094)	
Change in net deferred income tax	8,645	
Change in nonadmitted assets	(5,790)	
Change in surplus as regards policyholders		(44,239)
Surplus as regards policyholders, December 31, 2006		$ 8,110,974

Reconciliation of Surplus as Regards Policyholders
from December 31, 2001 through December 31, 2006

Surplus as regards policyholders, December 31, 2001, per Examination			$ 5,633,757
	Gain in Surplus	Loss in Surplus	
Net gain	$ 2,992,409	$	
Net unrealized capital losses		2,668,268	
Change in net deferred income tax	10,194		
Change in nonadmitted assets	2,283,661		
Aggregate write-ins for losses in surplus		140,779	
Totals	$ 5,286,264	$ 2,809,047	
Net increase in surplus as regards policyholders			2,477,217
Surplus as regards policyholders, December 31, 2006, per Examination			$ 8,110,974

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Federal Income Tax Recoverable

The balance for federal income tax recoverable consists of taxes outstanding for the 2005 and 2006 tax years. As of September 30, 2007, the 2005 tax credit of $34,427 has not been settled. The Tax Allocation Agreement requires settlement be made for tax refunds within 90 days after the due date of the consolidated federal tax return. Additionally, the Statements of Statutory Accounting Principles (SSAP) No. 25, Paragraph 6 specifies that amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted. It is recommended that the Company timely settle its taxes in accordance with the terms of the Tax Allocation Agreement. On a go forward basis, it is also recommended the Company nonadmit the 2005 tax credit of $34,427 as required by SSAP No. 25, Paragraph 6.

(2) Known Claims Reserve

Based on a review of the Company's known claims reserve, the reserves appear reasonable and have been accepted for purposes of this examination.

(3) Statutory Premium Reserve

A review of the Company’s statutory premium reserves disclosed that the reserves are computed in accordance with California Insurance Code Sections 12382.2 and 12382.5.

(4) Payable to Parent, Subsidiaries and Affiliates

The captioned account balance consists of five months of intercompany activity totaling $12,705 still outstanding. As of September 30, 2007, the balance is still not settled and has increased to $35,205. The Administrative Services Agreement requires balances be settled by the 15th day of the following month. It is recommended that the Company timely settle the intercompany balances in accordance with the terms of the Administrative Services Agreement. During the course of the examination on October 24, 2007, the Company made a payment of $15,205 to settle a portion of the intercompany payable balance. The Company anticipates settlement of the remaining balance by year-end 2007.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Comments on Financial Statement Items – Federal Income Tax Recoverable (Page 10): It is recommended that the Company timely settle its taxes in accordance with the terms of the Tax Allocation Agreement. On a go forward basis, it is also recommended the Company nonadmit the 2005 tax credit of $34,427 as required by SSAP No. 25, Paragraph 6.

Comments on Financial Statement Items – Payable to Parent, Subsidiaries and Affiliates (Page 10): It is recommended that the Company timely settle the intercompany balances in accordance with the terms of the Administrative Services Agreement.

Previous North Carolina Department of Insurance Report of Examination

Statutory Premium Reserve (Page 7): The Company was directed to establish and fund a trust account for its unearned premium reserve as required by GA 58-26-20. The Company has complied with this recommendation. However, the Company has redomesticated to California effective April 2006 and is no longer required to maintain a trust account under the California Insurance Code.

Uncollected Premiums and Agents' Balances (Page 7): The Company was directed to age premiums using the effective date and non-admit all premiums over 90 days past due to comply with GS 58-7-162(5) and NCAC 11.11C.0206. The Company has complied with this recommendation.

Affiliated Transactions (Page 7): The Company was directed to obtain prior approval from the North Carolina Department of Insurance for transactions with affiliates which are not covered by an approved agreement. The Company has complied with this recommendation. In addition, all affiliated agreements were submitted to the California Department of Insurance as part of the redomestication filing.

Premiums Written (Page 7): The Company was directed to not write new policies that insure any one property in North Carolina greater than 40% of its combined capital and surplus without the prior approval of the North Carolina Insurance Commissioner as required by GS 58-26-15. The Company did not write any new policies that exceeded this threshold.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Deanna Lo, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California